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4520 EAST WEST HIGHWAY
SITE 800
BETHESDA MD 20814

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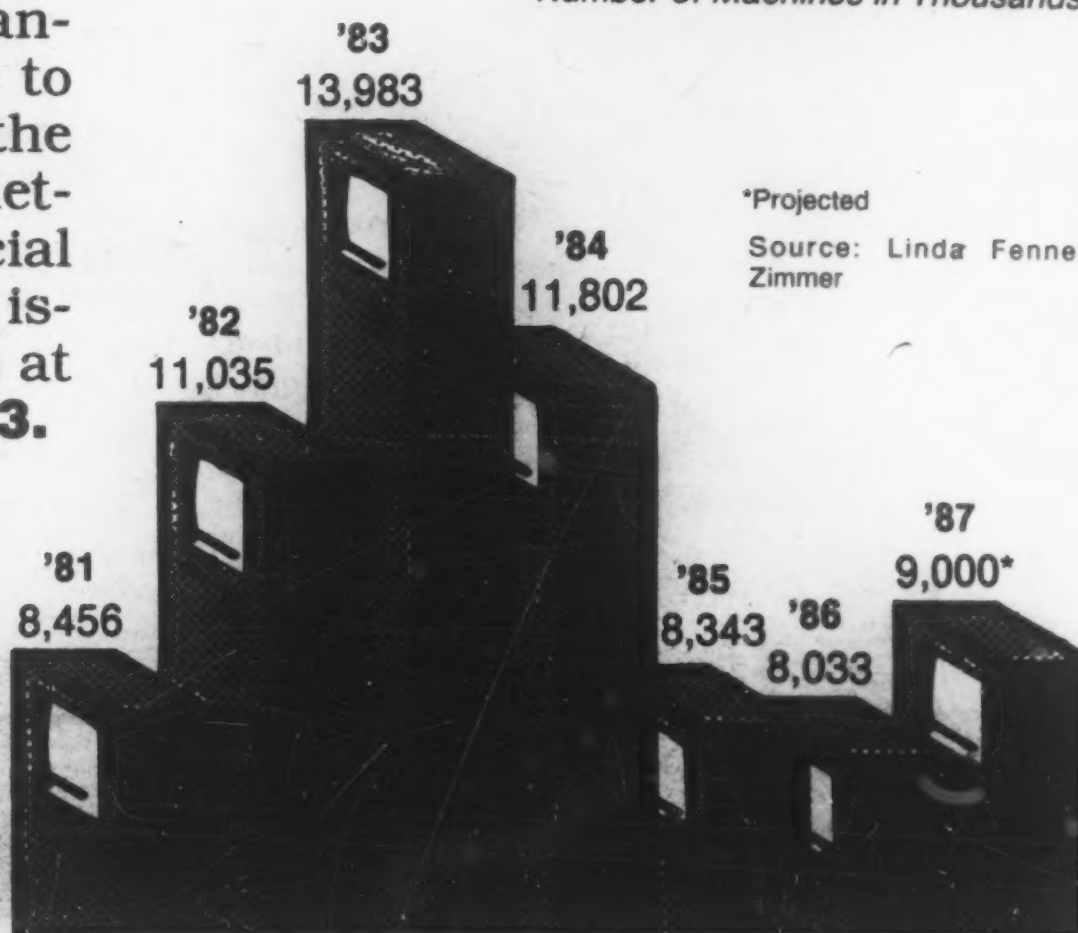
FEATURE SECTION SPECIAL REPORT:

Machine Banking Review

Leading analysts, including 16-year veteran Linda Fenner Zimmer, investigate whether the ATM market is past its prime or poised for expansion. Bank management appears to have lost its patience waiting for the illusive ATM payoff, letting networks take the leading role. A special pullout section examines these issues and provides ATM statistics at the top 300 banks. Starts page 13.

U.S. Domestic ATM Shipments

Number of Machines in Thousands



BankAmerica, Citicorp Own The Most ATMs

Large Banks Report 21% Of Machines Are Off Site

By JAY ROSENSTEIN

BankAmerica Corp. owns more automated teller machines than any other banking firm in the United States, according to an *American Banker* survey.

The San Francisco-based company said it owns 1,350 ATMs, followed by Citicorp, with 1,200 ATMs. Closely trailing the New York company is Wells Fargo & Co., San Francisco, with 1,195 ATMs.

In the survey of the nation's largest bank holding companies and independent banks, firms were asked to report the number and location of their ATMs at midyear. The information represents only the companies' ATMs and not the machines of other banks in a shared network.

Some big institutions, including Chase Manhattan Corp., the nation's second largest bank holding company, did not respond to the request in time, making it difficult to provide a complete picture of ATM ownership by

BankAmerica: Page 46

Today

MARKETING

American Express Travel Related Services Co. is now insuring most goods bought with the American Express card for up to \$50,000 against theft, fire, accidental damage, or loss, for 90 days. 10

Valley National Bank, Phoenix, is offering lifetime safe deposit boxes that customers buy for one lump sum instead of renting them. 10

With competition increasing, banks are targeting their products and services to specific age groups. 11

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Arab banks are closing branches in the U.S., restructuring management, and broadening their markets to remain competitive in the United States. 2

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It is no longer a competitive advantage to own ATMs... You got to make them different.

John MacMillan, a Trans Data Corp. associate in Salisbury, Md., on the need for marketing and adding services to automated teller machines. [Page 1]

Random Thoughts

By SANFORD ROSE

In an address to the Bank Administration Institute in mid-November, Jon Moynihan, managing vice president of the First Manhattan Consulting Group, offered the following rather negative assessment of the current state of interest rate risk policy in most major banks. Argues Mr. Moynihan: Although in published remarks the typical bank professes that it takes little or no interest rate risk, in point of fact it actually takes a fair amount. What's more, its rate bets are generally based on gap reports, which are seriously flawed.

Inside the buckets of a gap report there are large, though apparently unrecognized, differences in repricing characteristics. This is particularly true of the longer-maturity assets and liabilities, but it is also true even inside the shorter buckets.

A bank may reprice more assets than liabilities in a particular short-term time period but still may be liability not asset sensitive if the bulk of the liabilities reprice at the beginning of the period while the bulk of the assets reprice at the end of the period.

Random Thoughts: Page 4

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RANDOM THOUGHTS

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Thus a rise in rates can produce a decline not an increase in net interest earnings derived from the footings contained in the particular bucket. In other words, gap buckets are generally too broadly defined to assess the likely impact of rate changes. This criticism, considered rather tiresome by some AL practitioners, is still applicable to many banks, insists Mr. Moynihan.

The First Manhattan executive reports that most banks have no adequate reports of the impact of existing rate bets on income as well as no reports of the impact of past rate bets. Intermittently, he adds, a top executive of the bank will decide to shorten or lengthen the portfolio in anticipation of rate changes. After that has been done, there is very incomplete follow-up or feedback on the outcome of these adjustments.

If a particular rate bet is obviously successful, there is much applause. If it is obviously unsuccessful, the result is buried. Successful bets encourage more aleatory activity; unsuccessful bets encourage conservatism and limitations on future betting.

Overall, those very unsatisfactory gap positions tend to oscillate on an almost random basis from positive to negative to balanced. In part because of job turnover, a consistent policy is never adopted, and

lessons are not learned from past mistakes.

What should banks do? Mr. Moynihan offers the following prescriptions: If banks must bet, which he does not necessarily advocate, they should do a far better job of measuring the overall impact of both current and past interest rate gambles on net interest earnings. They must also measure their impact on the overall value of the bank — that is, the discounted value of all future net-interest-earnings outcomes.

They should use the measurement system to remove the influence of rate bets from the financial statements of the individual business units. And they must use the measurement system to assign and track accountability for all maturity or duration mismatch decisions and their results. Interest rate risk management must be set up as a separate business within the bank with its own income statement.

To fill many of these prescriptions, banks need to understand duration, characterized by Mr. Moynihan as the "theoretically correct but fiercely disliked approach to asset-liability management."

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Speaking at the recently held American Banker conference on cost control, Rick Spitler, a Booz Allen vice president, pointed out that the number and dollar amount of mergers and acquisitions in banking were higher than in any other industry from 1982 through 1986. In the past five years, some 5% of total bank capital has been reallocated. Adding in the portion of current capital that is due to the retained earnings generated from the reallocated capital, one can argue that the percent of current bank capital affected by the consolidation craze totals about 10%.

Not only is merger activity greater in banking than in other industries, the percent premium over market price is also larger. That premium averaged around 50% and has ranged from a low of about 30% to a high of 60% over the 1982-86 period. By contrast, the acquisition premium for all industries has been somewhat more modest, closer to 40%.

In some senses, the high acquisition premiums reflect an unintended interest rate bet, analogous to a large negative gap. Banks began buying other banks' earnings rather expensively in the early '80s. Then rates started to tumble, raising the present value of future earnings and justifying, in retrospect, the inflated prices. To a considerable extent, the fall in rates bailed out bad decisions and emboldened other acquirers to continue paying exorbitant prices.

Since it is unlikely that rates will continue dropping, potential acquirers must do more careful arithmetic in the future. Let us exclude the top 20 money-making banks and consider the average bank among the next 40 largest institutions. It had a market-to-book ratio of 1.3 times and a return on equity of 13.6% as of the end of 1986.

Assuming no immediate payback of capital from the acquisition, the acquirer of such an average bank that pays a 50% premium will have to raise its target's return on equity from 13.6% to about 18.7% in or-

der to break even — that is, maintain the market value of the investment and avoid impoverishing its shareholders. Otherwise put, if one buys a large bank for two times book, one must add around 5 percentage points of return to restore the status quo ante.

Expressed in terms of cash flows, the acquirer will have to raise the acquiree's earnings by 75% in order to make back the premium. That 75% earnings increment translates into either a 25% reduction in expenses or a 19% to 20% increase in revenues — a truly remarkable challenge, adds Mr. Spitler.

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It is a challenge that can be met in essentially three ways — by lowering the cost of capital and/or effecting capital economies, by augmenting revenue, or by trimming costs. Required capital can be reduced if the merger results in both an enlargement of the loan pool and a decline in borrower covariances, justifying a lower ratio of loss reserves to outstandings.

Improvements in diversification, resulting in part from larger size, may also lead to a better credit rating and ultimately a higher market valuation, cutting the cost of both equity and debt capital. Additionally, a merger may increase the efficiency of capital utilization by allowing its redeployment to higher growth markets.

Revenue gains can be achieved in the short run by raising prices and improving risk management. A good example of an acquirer who seeks and generally achieves an immediate gain in revenue is Banc One of Ohio. It boosts the loan yield of acquired institutions by selling them credit card receivables and by encouraging them to shift from commercial and industrial loans to consumer paper in general, since these yields are usually much more attractive. It also pushes new affiliates to hike service prices, often by more than they think possible.

Longer-term revenue gains can be made if, by becoming larger, an organization can focus more resources on specific businesses and increase its market share and strength sufficiently to command higher prices.

Near-term cost reductions are available from a variety of functions, depending on economies of scale. More importantly, during the course of a merger, an organization has the opportunity for fundamentally rethinking and restructuring not merely the back office, but also the complete branch and distribution systems.

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The gains available from merger depend on its type. Booz Allen finds two relationships essential to understanding the potential impact of a merger. The first is the relative size of the institutions. The more equal in size the two partners, the more likely each is to have individual superiorities that should be preserved in a merger. Unfortunately, mergers among equals are also the most difficult to consummate.

The second relationship is the degree of market overlap. In regional banking, this translates into

the extent of overlap in the same geographic area.

An intrastate merger of equals provides the greatest opportunity to realize cost savings. Consider the typical cost structure of a retail bank. Some 37% of the costs are in the branches, 18% in operations, 13% in general and administrative expense, 12% in systems, and 20% in miscellaneous.

In large intrastate mergers where there is considerable branch overlap, branch rationalization, by itself, says Mr. Spitler, can provide most of the savings needed to earn back the acquisition premium. He notes: "In terms of total percent of acquired bank expense available; the maximum cost savings could be as high as 30% to 40%, assuming that the operations and branches of the acquired institution are folded completely into those of the acquiring bank."

The 30% to 40% figure presupposes that all the costs of the acquired bank are scale sensitive. Since they typically are not, more realistic estimates of the maximum savings available in an intrastate marriage amount to about 15% to 20%.

In interstate mergers, however, which are now the most numerous, the potential cost savings fall off dramatically. In these types of mergers, the opportunities for branch consolidation are minimal. And since much of the operations costs are driven by the branches, economies in this area are also limited.

As a result, the cost savings from interstate or remote mergers are essentially confined to rationalization of systems. But systems expense, as noted, accounts for the smallest share of retail bank costs.

Much of the confusion about the gains from merger stems, suggests Mr. Spitler, from the recent switch in emphasis from intrastate to interstate consolidations. If a bank embarks on an interstate merger with a model of post-merger behavior derived from the experiences of intrastate combinations, it is likely to be disappointed in the merger results.

Ability to earn back the hefty acquisition premium depends, in the case of an interstate merger, less on cost savings than on a viable plan for significant revenue enhancements and capital economies. ■

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Editor: William E. Zimmerman

Managing Editor: Robert W. Casey

News Editor: Thomas J. Ferris

Associate Editors: Laura Gross,

Sanford Rose, David O. Tyson

NEWS BUREAUS:

Washington: Chief, Robert Trigaux, 911 National

Press Building, Washington, DC 20045; (202) 347-5529

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Bld., Suite 230, Chicago, Ill 60604; (312) 663-6380

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Sixth St., Los Angeles, CA 90014; (213) 627-0953

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North Central Expressway, Dallas, TX 75206; (214)

891-8878

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South St., Boston, MA 02111; (617) 542-6848

London: Chief, John J. Duffy, American Banker,

c/o Infopac S.A., 31-35 Beak St., London W1R 3LD

England; (01) 439-3066

Feature Editions Editor: Patricia Stundza

Chief Statistician: L. Michael Cacace

Senior Editor, Copy Desk: Aileen L. Kyte

Art Director: Pamela Budz

Contributing Editor: Paul S. Nadler

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New York: (212) 943-4259

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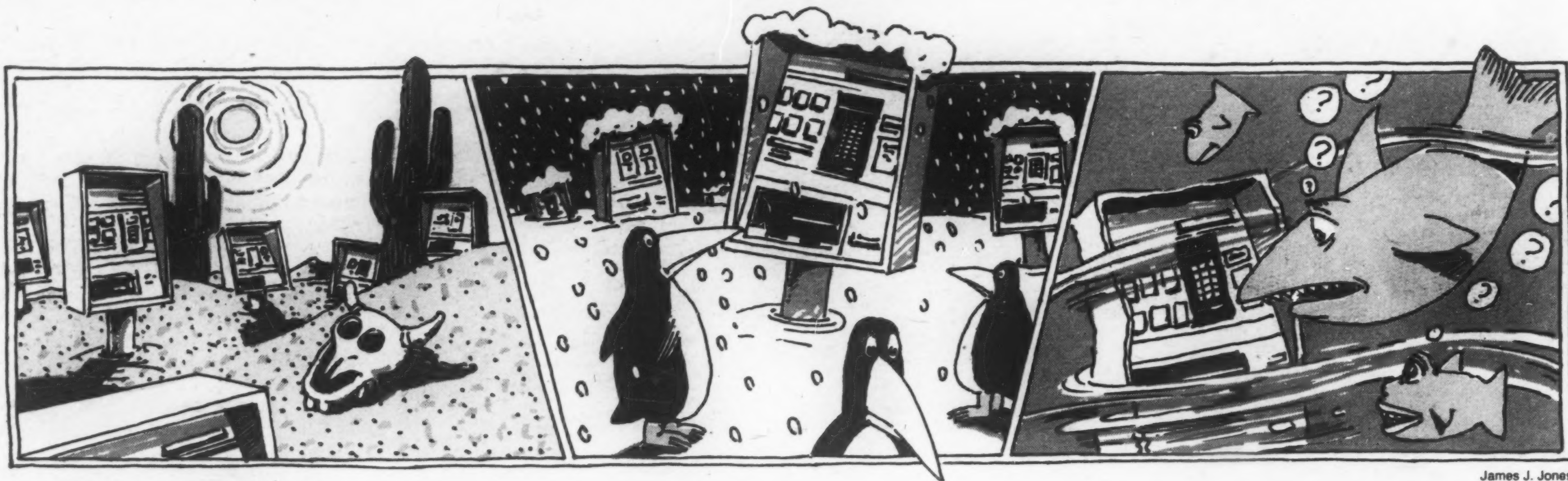
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PULL OUT
AND SAVE

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James J. Jones

HOW MUCH IS TOO MUCH?

A leading analyst investigates whether the ATM market has reached its saturation point or is poised for growth in nontraditional ways and less predictable territories.

By Linda Fenner Zimmer

THE AUTOMATED TELLER MACHINE industry has been on hold for the past few years as financial institutions come to grips with their environment — a world filled with deregulation, competition, mergers and acquisitions, and diminishing profits.

With few exceptions, any ATM progress in 1987 takes place at the networks rather than at individual banks, indicating that perhaps responsibility, direction, and planning have gradually shifted. Indeed, this change has occurred in the last several years, as the industry has shifted from a proprietary ATM structure to that of shared networks.

Areas ranging from management's commitment to growth, responsibility for maintenance, profitability and machine shipments have been affected by this restructuring.

With bank and network consolidations well underway and management's growing impatience regarding the allusive long-term payoffs from ATMs, a decline in machine shipments was fully expected. Indeed, there has been a downward trend in domestic shipments for several years. But it appears that the drop in annual shipments may well have bottomed out.

Projected shipments for 1987 are 9,000 units, an increase of almost 1,000 machines from the prior year, according to industry research. It seems that this developing upward shipment trend will continue

for at least several more years. If 1987 ATM shipment projections are met, the net installed base by year end will be in the range of 75,460.

During the first quarter of this year, all domestic manufacturers were polled. They gave their evaluations of the present and past markets, as well as their views of next year's market. The responses indicate an increasing optimism for ATM shipment increases.

It remains to be seen whether or not shipments will match this optimistic forecast for 1988, but it would appear that 1987 projections are right on target. And certainly the machine replacement market is expected to play a major role in increased machine orders and shipments both this year and for several years

hence. In 1986, 28% of all machine shipments were already replacement machines.

Market Saturation Theories

The average ATM handles between 5,000 and 5,500 transactions per month, excluding balance inquiries. Like ATM shipments, average machine volume may have bottomed out after having fallen over a five-year period from a 1982 high of 7,200 transactions per month.

Several industry observers suggest that the sharp and steady decline in transaction volumes could be attributed to market saturation.

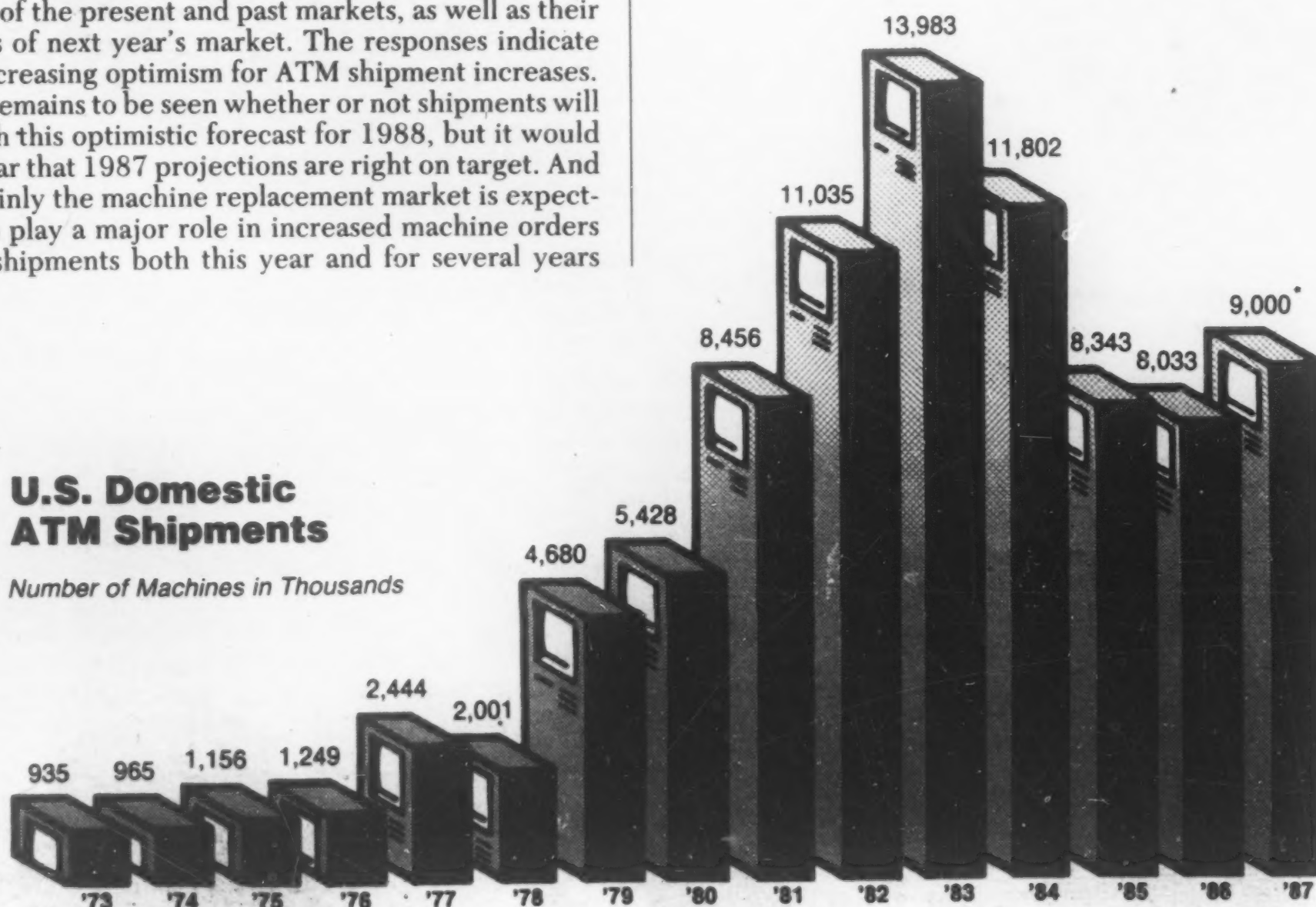
Rather than saturation, the transaction volume decline could also easily be attributed to the growth and popularity of shared networks. Between 1982 and 1985, network growth resulted in a surge in ATM installations without a parallel marketing effort. As a result, ATM transaction volumes per machine were depressed.

If the individual ATM institutions and networks fail to provide the necessary promotional and customer-

Continued on Next Page

U.S. Domestic ATM Shipments

Number of Machines in Thousands



Source: Linda Fenner Zimmer. Data collected annually from vendors.
Chart by Paragraphics

*Projected shipments

For 16 years, Linda Fenner Zimmer has been an independent researcher in the payment systems and services field, specializing in electronic banking and ATMs.

MACHINE BANKING REVIEW



In efforts to cross "the 33% wall" — the percentage of card-carrying customers that actively use ATMs — institutions have been placing the machines in nontraditional settings.

Continued from Previous Page
education efforts and are satisfied with the current level of ATM transaction volumes and customer acceptance, then the ATM market is saturated.

However, if the industry commits itself to marketing and customer education, some analysts believe there is more than enough room for growth.

Ain't Seen Nothing Yet

In many respects, ATMs are like icebergs — we've only seen the tip so far.

The vast potential for ATMs to handle the bulk of routine financial transactions has barely been tapped. This is especially evident when one considers that only 33% of card-carrying customers actively use ATMs, with active defined as at least one use per month.

This 33% figure is often referred to as the 33% wall, since a number of institutions are unable to increase their percentage of users above that level.

Some intense market research might prove most revealing in explaining why the wall exists and how an ATM institution might be able to hurdle it. Such research carries even more importance if ATMs are laying the foundation for the world of self-service banking.

An institution's game plan and strategies emanate from top management. Yet electronic banking and ATMs, with few exceptions, do not rank very high on the priority list in the executive suite — if at all.

There are a handful of exceptions to this. Shawmut Bank of Boston and Dollar Dry Dock Savings Bank in New York City are in the process of restructuring their retail banking organizations and service delivery structures, with ATMs and platform automation playing key roles.

More than 25 years ago when the cashless society was catching the industry's fancy and attention, senior management was the one leading the parade. That involvement and commitment continued well on through the early 1980s.

Today that support, commitment, and, most importantly, direction are missing. If the financial industry plans to charge ahead in electronic banking and develop its full potential, analysts point out that senior management must

once again become involved and provide the missing leadership and support. If not, the power will be abdicated to the networks, which is already happening at many institutions.

One way to recapture the enthusiasm and interest and, ultimately, the support of the senior echelons is through positive bottom line impact — by actually accomplishing some of the objectives for which ATMs were installed in the first place.

Waiting for the Payoff

In general, top management has lost its patience waiting for the allusive payoffs long promised from ATMs. In the early days of cash dispensers and automated tellers, the comment was frequently made that "we know ATMs are expensive, but the payoff is long term, not short term. We're in this for the long run."

That was how many years ago? How many models ago? How many dollars ago? And yet just about every ATM owner today is still searching for ATM profitability.

With an emphasis on capital preservation, survival, and positioning, 1987 brought with it a strong top management interest in the cost effectiveness and profitability potential of all aspects of banking, including ATMs.

And these same eyes are also watching the ATM networks. Buyers of the network services as well as the networks themselves are asking exactly what role the networks should take in the restructured market, and whether it has done its job and fulfilled its expectations.

Senior management's perception of ATMs is undoubtedly being carried over to point of sale. In many respects, POS has encountered rough waters because of lack of support and commitment from senior management.

Many look at the funds already put into ATMs and wonder just what the industry and the individual institutions have received in return for that investment. With little to show so far from ATMs, institutions are often reluctant to plunge into POS.

New Sources of Income

With low ATM transaction volumes and high costs plaguing many institutions, a number of organizations are experimenting with revenue-generating services that might be added to their ATMs. Services being piloted include the disbursement of welfare checks and cents-off coupons, as well as the dispensing of airline, ski-lift, and theater tickets. Although generating some revenue for the ATM-owning institution and/or network, these services pose serious questions.

One really has to question what business the institution and networks are in and what business they want to be in.

And perhaps such questions have totally different answers, depending upon who's responding — networks, financial institutions, or third parties.

In many respects, the ATM industry in the United States could pick up some pointers and ideas from its counterparts around the world. Japan is a case in point.

The largest bank in Japan, Dai-Ichi Kangyo Bank, is currently involved in a project wherein its ATMs are being equipped to read smart cards, which are ordinary plastic transactions cards imbedded with computer memory chips. Each time a customer uses the smart card, its cash value is updated for later off-line use at retail stores.

In another project, Dai-Ichi Kangyo Bank is investigating the feasibility of equipping its machines with OCR (optical character recognition) readers in an attempt to totally automate the bill

payment process. Deposits, cash, and bill payment invoices would all be machine-readable. The objective is to transfer the normal bill paying service from the teller window to the ATM.

Rather than try to add more options to ATMs, it may well be time to start expanding the self-service banking concept and begin developing a family of complementary and modular terminals. A combination of both approaches is in order.

In a survey conducted last year among 63 ATM pioneers, over half indicated plans for including additional service options on their ATMs, including:

Interim statements	74%
Money market rates	44%
Ticket dispensing	24%
Stock quotes	3%

In the same survey, the pioneers were asked to indicate what terminals they would include in an automated branch if given the chance:

Cash dispensers	93%
Balance inquiry	93%
Touch screen information	90%
Statement printer	88%
Interactive terminals	
Personal loans	67%
Mortgage application	59%
Coin dispensers	33%
Postage meters	26%

All of these services and terminals are only a hint of what the industry can expect in the 1990s.

Fewer Making the Commitment

But whether or not these services become a reality depends upon what the industry does today and whether or not it tackles the ATM iceberg or lets it drift away.

In the past, industry observers and participants agreed that there were certain mandatory steps for any ATM program if it were to be successful: written objectives and strategies combined with quantifiable goals and data feedback systems; top management support and commitment; continuous (or at least periodic) promotions and customer-education efforts; highly reliable equipment; and a secure ATM environment.

These factors are just as important today, if not more so, regardless of whether one is involved with a proprietary or shared ATM program. Yet fewer institutions than ever are fully committed to their programs.

In many respects, the future of ATM products and services, and the EFT services expected to grow from the ATM experience, is directly correlated with the results of the industry's continuing search for profitability, performance, productivity, and proper positioning.

Note also that the consumer really does not "care" about technology and all the bells and whistles. What the consumer wants is the desired financial services offered in an efficient, reliable, high-quality manner at a fair price.

Technology is not the problem. Rather, the industry is stumbling on how it prices, positions, and presents the chosen technologies to the consumer.

Because of the foundation and education built up by ATMs, the evolution toward electronic banking is expected to accelerate: Customer understanding and acceptance of POS transactions, home banking, and comparable developments will mature much faster than ATMs are growing.

But the question remains as to whether or not the financial industry is up to the challenge of finishing the job it started with ATMs. If not, progress toward electronic banking may well be slowed indefinitely on the retail side. ■

"The vast potential for ATMs to handle the bulk of routine financial transactions has barely been tapped."

Continued from Previous Page

says use of the machines in Japan is "probably more sophisticated" than in the United States. But Mr. Browning predicts Americans will become more fond of electronic banking.

"Our figures show that in the United States, about 40% of consumers with checking accounts use ATMs," says Mr. Browning, who is also president and chief executive officer of Colorado National Bank, Denver.

"We have made great strides in this country in the last five years and the next five will be just as dramatic," he says. "With time and education, the consumer will become more comfortable with the ATM. But I don't think usage in the United States will parallel that in Japan."

Roots Planted in 1960

ATM use began in Japan in 1960, Mr. Yajima says, when Sumitomo Bank Ltd. installed the first Omron-built device at a branch in Kyoto. Over the next dozen years, growth was gradual.

But in 1972, the industry adopted a standard format for the machines and cards with magnetic strips, which aided growth by enabling consumers to use machines provided by different banks.

The big push came in the mid-1970s, Mr. Morache says, when Fujitsu developed the "zengin," or superswitch. The superswitch allowed ATM networks and bank branches to be processed on-line in real time.

Some 900,000 transactions throughout the country are processed every hour through mainframe computers operated by Nippon Telephone & Telegraph, Japan's phone company. Riding on high-speed phone lines, information from one branch or ATM location is available immediately throughout the banking system.

That means a worker who wants to obtain cash or make a deposit could go to virtually any ATM in the country and complete the transaction immediately. Consumers do not have to wait overnight for some items to be posted, Mr. Morache says, as they do in the United States.

Despite continuing advances in ATM technology and the ability of the machines to perform a wide range of services, experts say the Japanese market is maturing and is unlikely to be a growth area for machine sales.

But the market could improve dramatically, Mr. Yajima says, if Japan's government repeals a restriction barring off-premises ATMs — machines installed at supermarkets, gas stations, and other retail similar locations.

Some banks in Japan are experimenting with point-of-sale machines at some department stores in anticipation that restrictions will be relaxed, Mr. Yajima says.

At this point, however, the Japanese ATM market is "like the U.S., mostly a replacement market," according to Mr. Morache. "We are projecting growth of around 5% to 10% a year."

"It is easier to carry cash [in Japan]. Companies deposit salaries directly to an employee's bank account. What happens on payday is the workers withdraw their salaries from the cash dispenser."

Europeans Plan Network That Will Span Continent

Foreign banks are hostile to U.S. credit card dominance, but most recognize the need for international standards.

By Linda K.S. Moore

Paris

BY 1990, MOST EUROPEANS with bank accounts will be able to get cash from an automated teller machine in any of the 17 countries represented on the European Council for Payment Systems.

In October, the 40 major European banks that make up the council announced an accord to honor each other's Visa, MasterCard, and Eurocheque cards at their teller windows, in cash dispensers, and at the point of sale.

The accord is one of several steps being taken to establish a European ATM network comparable in scope, if not in size, to the shared U.S. networks.

The agreement will cover roughly 100 million customers out of an estimated 150 million bank cardholders in the European Economic Community, Switzerland, Austria, and Scandinavia. It may eventually be extended to include proprietary debit cards.

With approximately 35,000 ATMs installed, Europe has roughly half the number of machines the United States has. But these ATMs serve a combined population that is 50% greater than the States.

By 1990, the number of ATMs is estimated to increase to 50,000.

Despite some eye-catching futuristic branch installations, two-thirds of ATMs in Europe are through-the-wall. Fewer than 10% are off-site, according to London-based Battelle Banking Research Group, which tracks ATM developments in Europe.

Most Shared Nationally

Banks sharing cash-dispensing functions of ATMs within a country is the norm. But for close to a decade European banks have been seeking to establish a pan-European ATM network that would not be dominated by the American giants Visa and MasterCard. (MasterCard is distributed in England as Access and on the Continent as Eurocard. The Eurocard is different than the Eurocheque card, which is issued by a separate organization.)

In response, Visa and MasterCard gave more power to their European partners. But despite the relative autonomy of the European operations, the perception that the Americans control the international bank card game has not diminished. European bankers tend to prefer having their own network and many have supported a European standard for bank cards in the past.

The council's accord recognizes the need for international standards, and bows to Visa and MasterCard, as they already operate in an international environment.

And though calls for an only-European standard for bank cards have been on the wane, the desire remains strong to construct independent ATM networks serving Europe, operating much as Plus and Cirrus have in the United States.

These networks would be formed by reciprocal agreements among national shared networks rather than among banks. The Italian and French ATM networks, for example, are negotiating an agreement that would open at least

some of their machines to each other's cardholders.

In France, universal sharing has been in effect for two years. All ATM and POS locations accept the Carte Bancaire, the product of the merger of the "Carte Bleue" (Visa) and "Carte Verte" (Eurocard) networks.

In Italy, the Societa Interbancaria d'Automazione, under charter from the Bank of Italy, runs the ATM and POS networks for all Italian financial service institutions. The Bank of Italy ruled in mid-1984 that all through-the-wall ATM installations must be shared, a move that was encouraged by the commercial bankers who thought that the savings banks were pulling too far ahead in automating retail services.

In West Germany, the savings banks are a considerable distance ahead in the electronic delivery of retail banking services. In fact, two-thirds of ATMs in the German shared network are owned by savings banks.

ATM Use in Europe

	No. of ATMs	Transactions Per Month
U.K.	10,800	6,040
France	9,600	4,318
Italy	4,300	1,059
Germany	3,400	4,090
Sweden	1,400	8,238
Belgium	700	7,968

Source: Battelle Institute, Banking Research Group, London

They are also dominant in the issue of Eurocheque cards. The Eurocheque card is an ID card that is used to cash Eurocheques, a form of bank-guaranteed checks that is accepted throughout Europe, similar to a travelers check. Eurocheques is the predominant form of payment at merchant locations in West Germany.

Since 1984, the Eurocheque card has had a magnetic strip that makes it usable in ATMs. By yearend, 7,500 machines in Spain, Portugal, Denmark, Belgium, West Germany, and Great Britain will accept any of the 30 million Eurocheque cards for cash withdrawals.

The first ATMs to accept the Eurocheque card were in Spain, where three networks control the country's ATM and POS activity. These are Sistema 4-B, dominated by commercial banks; Servired, which is open to all types of financial services institutions; and Ceca, a savings bank network.

Spain welcomed 10 million tourists in 1986 — more than its population — and the country's bankers are vocal proponents of international sharing. ATMs have helped Spanish banks deal with seasonal demands for cash in resort areas; and they have also been installed by foreign banks catering to their clients on holiday. Barclays Bank and Citibank have been the most aggressive in installing automated facilities in areas such as the Costa Brava.

In Great Britain, Barclays is part of the largest shared network in the country. Along with Lloyds Bank, the Royal Bank of Scotland, and the Bank of Scotland, Barclays has placed 4,000 ATMs at the disposal of its customers.

The other major networks are the combined ServiceTill and AutoBank machines shared by National Westminster Bank and Midland Bank; the Trustee Savings Bank network, which will begin sharing with NatWest and Midland next year; Matrix, limited to build-

ing societies; and LINK, which includes American Express in its consortium.

Among those working out shared arrangements in Great Britain is the American network Plus, which hopes to gain access to 2,000 terminals.

Economics of Interchange Fees

Commenting on the number of reciprocal sharing agreements in the United Kingdom, Seymore Fortescue, head of U.K. retail banking activity for Barclays, notes that automated cash withdrawals have become a utility-type service. "We've seen the situation go from 'protecting one's turf' — as the Americans call it — to a situation where virtually any financial institution in the U.K. can have access to a shared network, and provide its customers with access to cash on a nationwide basis," comments Mr. Fortescue.

"Rather than being standoffish and saying we're going to keep these machines for our own customers," he adds, "it seems to me more sensible to open them to other people, particularly when you get reciprocal advantages and can try to make some money out of it."

In France, where the interchange fee is about 85 cents, most bankers feel that they are losing money on their ATMs. The interbank agreement forbids charging the customer for a Carte Bancaire transaction.

"Only the banks with really large ATM networks, the Credit Agricole and the post office banks, can hope to make money in this situation," observes Rene Houssais, head of retail bank marketing for the Banque Nationale de Paris. In feverish competition for interchange income, most French banks are planning to increase the number of through-the-wall cash dispensers.

With 9,400 cash dispensers and multifunction ATMs, 15 million bank cards, and a population of 55 million, France averages 4,318 transactions per machine per month.

French bankers worry that they are "overinstalled" with cash dispensers and question if they will be able to pump up enough consumer demand to justify the estimated 5,000 new machines that will be added to the network in the next five years. There are at present 170 ATMs per million inhabitants, compared to 270 in the United States.

The problems that the French banks have had in building ATM volume indicates that providing easy access to machines through sharing is not sufficient to spur consumer interest. Pricing is not a consideration either, since the French banks, like most European banks, do not charge for cash withdrawals.

Some analysts point out that the comparative success of ATMs in different countries suggests that high transaction levels come from the length of time the system has been in place, coupled with the efforts of bankers to instruct their customers.

Thus Sweden, which put a national ATM network in place more than a decade ago, has the highest transaction level in Europe. Great Britain and Belgium, where competing networks have aggressively promoted ATM usage, do better than West Germany, France, or Italy, where banks have tried to let the concept of universal sharing do the marketing for them.

Linda K.S. Moore is a business writer based in Paris.

Insiders Debate Issues: Question the Future of POS

Despite the roadblocks, some banks execute new programs and vendors venture out into less predictable locations.

By Maureen Nevin Duffy

NOW THAT AUTOMATED teller machines have prepared us for easy access to our cash, point-of-sale systems that allow us to pay for goods at the time of purchase — straight from the same checking accounts — should fall right in place. But POS networks have never traveled an easy road.

It is to their credit that POS pioneers have more pilots than ever underway. And the longest-standing projects are considered successes.

Use of debit cards, which electronically transfer funds from the customer's account to the retailer's account at the point of sale, generates some \$193.7 million in purchases and cash advances monthly, according to the "Nilson Report," a banking industry newsletter. And according to American Banker's 1987 "Consumer Survey," one-quarter of the public would use debit cards.

But behind the scenes, practically every aspect of debit sale services has met with controversy and debate.

Even Entree, the first nationwide debit network — thought by most industry leaders to be an essential step in debit card proliferation — is now the target of an antitrust investigation by the attorneys general of 14 states. Officials are questioning whether the project is restricting competition among other providers. Still, spokespeople for Entree's founders, Visa USA and MasterCard International, say they are proceeding with the program.

Nigel A.L. Brooks, a partner at Arthur Andersen & Co., one of the Big Eight accounting firms, has observed the evolution of POS and muses that today, "it appears to be either ahead of or behind the times."

Mr. Brooks, who heads the company's bank consulting division in the New York metropolitan area, notes that POS was once considered a "cheap" alternative to ATMs. "But now, with the preponderance of ATMs and networks, the concept of debit/credit card issuers makes a lot of sense. Why not decide at the register whether to incur a debt or pay it off instantly?" he asks.

Players Seek New Ventures

Despite the roadblocks, banks are executing new POS programs, and vendors are producing more sophisticated terminals. Players are even venturing out from the gas station and grocery store successes of POS to less predictable locations, like fast-food restaurants and convenience stores.

"We're working on how to get cus-

tomers to use ATM cards for POS," says William H. Petrarca, senior vice president of electronic funds strategy at National City Bank in Cleveland.

One of these strategies, the Dayton Project, will bring POS to fast-food places, discount gas stations, and several convenience stores in Dayton.

Mr. Petrarca, who took an active role in the American Bankers Association's original POS guideline committee, has formed a temporary partnership among savings and loans, banks, credit unions, and Ohio's Money Station Net-

work. The only regional network in the state, Money Station, which is owned by seven different bank holding companies, has 2,400 ATMs, 8.5 million cards, and does about 3.5 million on-line transactions a month, directly with the member banks.

To bolster customer acceptance of the Dayton Project, the group is supplying employee perks, such as T-shirt contests and bonuses. At one store, clerks are awarded a quarter for every POS transaction. In addition, store managers are visiting locations and



No illusions about POS: Stan Paur, president and CEO of Financial Interchange.

holding press conferences to endorse the product.

But despite high employee turnover, Mr. Petrarca contends that these markets are key. "The less-than-\$20 trans-

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MACHINE BANKING REVIEW

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action makes the most sense as a target for debit cards," he says, because consumers would be less likely to write a check or charge such a small amount.

Mr. Petrarca hopes that the demand for ATMs in these stores will dwindle. "Most [cash machines] are close to being written off from a use standpoint anyway," he says.

Mr. Petrarca predicts that when fee structures for POS terminal use are put in place, merchants will see more POS than ATM transactions.

The Diebold 1060, "The Everywhere Teller Machine," addresses consumers' cash demands, usually satisfied with a trip to an ATM, with a simple, head-on approach. Not an ATM, the machine, now located in grocery stores, accepts debit, credit, or ATM cards. The consumer inputs a personal identification number, chooses an amount of money, and which account the money is to come from. Provided the funds are there, a draft is printed out in the store's cashier office, which the consumer signs, and the cashier surrenders for cash.



Fast-food restaurants are just one of the less traditional sites for terminals.

An interesting feature of the machines is that the merchant can replenish the machine with cash from the store, thus cutting down the costs associated with cash handling. The 1060 sells for less than \$10,000 compared to

ATMs, which sell for between \$25,000 and \$35,000.

The Everywhere Teller is part of Valley Bank of Nevada's pilot, "Card Cash." Dan H. Powell, vice president and product manager for Valley Elec-

tronic Banking Services Inc., expects to have 95 of the machines installed in Nevada by the yearend.

The present pilot routes transactions from ATM cards through Plus, Star, MasterTeller, and INN (In Nevada Network), a locally owned network. Credit cards pass through their own networks. The new project will involve only one store and use only INN.

Enhancing Credibility

The Pulse System, operated by Financial Interchange Inc. in Houston, kicked off a major grocery store chain POS program last month. Stan Paur, president of the interchange, hopes that the program with Randall Foods, which operates 39 stores in the Galveston/Houston area, will inspire other retailers and enhance the credibility of POS.

Pulse charges card-issuing institutions 4 cents a transaction, compared with fees charged by other networks that can range as high as 74 cents. Add to this the ongoing cost of support for ATMs, says Mr. Paur, which can run \$2,100 or \$2,500 a month, and POS appears far cheaper.

He has no "illusions" about POS. But he does believe POS has a base of consumers who will use it if it is properly deployed and priced. "Merchants are understandably cautious about POS," says Mr. Paur. "It is not an insignificant investment on their part and many are taking a wait-and-see attitude, which is quite reasonable."

The Honor System, an on-line processor owned and operated by Florida Interchange Group Inc., is publicizing its POS offerings and ATM services with a sweepstakes for Honor users. Starting in January 1988, the market push will include radio advertising and prizes from merchants, banks, and the network.

Major merchants include the Mobil, Shell, Exxon, and Tenneco gas stations, Circle K convenience stores and Publix supermarkets. Honor's fees to the issuer are 5 cents per POS transaction and 10 cents for each ATM transaction.

Obtaining Cash Is the Motive

For the consumer, obtaining cash is the driving force of POS. "Until the consumer sees what it means to use an ATM card at POS, we'll have to rely on those who normally cash checks or get cash at these locations" to generate the volume, says Christopher Vavricka, executive director of Interlink for Visa, which operates and manages it for the Interlink board.

Interlink is on-line to Lucky Stores, Wendy's restaurants, Payless Drugs, and the Arco Petroleum Co. It is also processing transactions for the California Automated Clearing House Association and looking to expand to other regional clearing houses. Interlink is charging CACHA an access fee of \$400 a month, which includes access to VisaNet, a less-than-a-penny charge per transaction after the first 10,000, and no night premium.

"The system has played out best at oil, grocery, fast-food, convenience, and discount drug stores," says Mr. Vavricka. Coincidentally, he notes, "these markets are principally cash- or check-oriented." Also, says Mr. Vavricka, these stores have little to distinguish themselves from each other — gas is gas, milk is milk — and there is not a significant price margin to play with. Mr. Vavricka suggests that a store set itself apart from its competitors by offering better service through debit sales.

An Interlink roundtrip — request for payment and verification — takes less than 10 seconds. By contrast, it takes a minute and a half to pay by check. The quickness of POS is suited for gas stations where customers can now run their debit cards through a terminal, pump their own gas, and, in effect, never see a cashier.

The success of this market has not
Continued on Page 22

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MACHINE BANKING REVIEW

Average Number of POS Terminals

Institutions Broken Down by Asset Size

	Under \$50 ML.	\$50-\$100 ML.	\$100-\$500 ML.	\$500 ML.-\$1 BL.	Over \$1 BL.
Shared	11	19	43	93	737
Not Shared	-	-	34	113	1,282

Source: American Bankers Association

Continued from Page 20

been overlooked by CitiCorp which, through its Citishare, is taking the risk that funds are not available in the consumer's checking account, off Mobil Oil's — and soon Exxon's — transactions. The 18-month-old Citishare program gives Mobil immediate authorization over a direct connect line between Citibank N.Y. and Mobil.

"It's not cheap to put in these connectives," says Allen Sausen, president of Citishare. "Banks want to put them in as [an enhanced service] to customers, but they make no economic sense unless we can find low-cost ways to do this. Logic, therefore, dictates that [POS] run off ATM networks, so that

we're working off investments already made."

By next year the Citishare Mobil program will include Citibanks in Maryland, Maine, Utah, Nevada, Arizona, and the remainder of New York State, and Citicorp Savings in Florida, Illinois, California, and Washington, D.C. Plans are also in the works to bring Exxon on-line.

"The intent is to have all our consumers in these regions able to access all retailers," says Mr. Sausen. "Mobil is just one of them. We're focusing first on gas stations and supermarket areas." The service, he says, is not just payment but cash-back as well.

"The trend here is to use ATM cards

for POS, as a transaction card versus a cash withdrawal card," says Richard Phegley, marketing adviser for Exxon Co. USA in Houston. Exxon's POS terminals can process ATM cards from networks that include Honor (Fla.), Pulse (Tex.), Mpack (Tex.), Cashflow, and cards issued by Valley National Bank and First Interstate of Ariz.

This August, Exxon started offering consumers the choice of either charging their Exxon account or debiting their checking accounts with the same card. Mr. Phegley believes Exxon is the first to put out a combination card for general use.

Fees for POS

Many believe that now is not the time to charge the consumer for POS transactions. In fact, an Honor spokesman says even the perceived possibility of a charge could have an adverse effect on POS transactions. In other words, if they're now being charged for nonproprietary ATMs, consumers may not want to try POS. None of the

Continued on Next Page

Vendors Revise POS Terminals

Fill local needs

In efforts to survive in a promising but problematic market, vendors are introducing equipment aimed at reducing costs while still supplying more options.

Many of the improvements are aimed at filling local networking needs. Changes allow transaction requests to be polled by a common unit, usually a controller, and concentrated into data packets for fast transmission over one, rather than several, dedicated lines.

Omron Business Systems Inc., Schaumburg, Ill., calls its newest unit the NAC 16. The 16 designates how many communications channels are available. It eliminates the need for an assembler/disassembler to packet the data, and it can support more than 80 terminals. Equipped with all 16 card slots, the NAC 16 costs about \$16,000 for a single order.

By batching inquiries into large amounts, the company contends, the retailer is in a better position to negotiate with the authorization processor, since the processor does not spend as much time on the work.

Another feature of the NAC 16, according to Evan Reiffel, product line manager for Omron, is that it allows for point to multipoint transmission. Mr. Reiffel says this capability, for example, can eliminate such steps as sending an American Express transaction through the Visa network first. The transaction can be sent directly to American Express.

Another offering geared to local area networks is Verifone's TRAN-ZIT, a controller that links up to 96 Verifone transaction terminals. It has been tested in a pilot at a major New York retailer, a spokesperson says.

Verifone also has a Zon II, the high end of its Zon Jr. line. In addition to an expanded memory, it can also handle three peripherals at once, a slip or roll printer, bar code reader, and pin pad.

Smart Card producer, Micro Card Technologies Inc., in Dallas, is also billing its product as an aid in reducing on-line time. The card's computer chip, says Paul Wittfeld, vice president of marketing, can be programmed with certain limits so that not all transactions have to be authorized.

Micro Card has also begun to supply component level read/write devices for integration into POS terminals. It also came up to production speed last month on its Card Acceptor Device (CAD 10), which allows retail merchants to verify cardholder identity. It is being delivered in large quantities in Europe first. The units sell for \$200 and \$100, depending on the quantity ordered.

A sign of the Smart Card's growing credibility is that the Electronic Funds Transfer Association's president, Dale Reistad, late last month directed its card council to examine the future role of "debit cards with a chip" — or smart cards.

Mr. Heckman, chairman of the card council, says the group will look at the test Micro Card will be running with the U.S. Marine Corps and at the various European pilots that have used smart cards. Some of the Marines are using the cards to access their pay.

Mr. Heckman expects a quasi research study to emerge, which may predict debit card use and its evolution 10 years down the road.

— Maurine Nevlin Duffy

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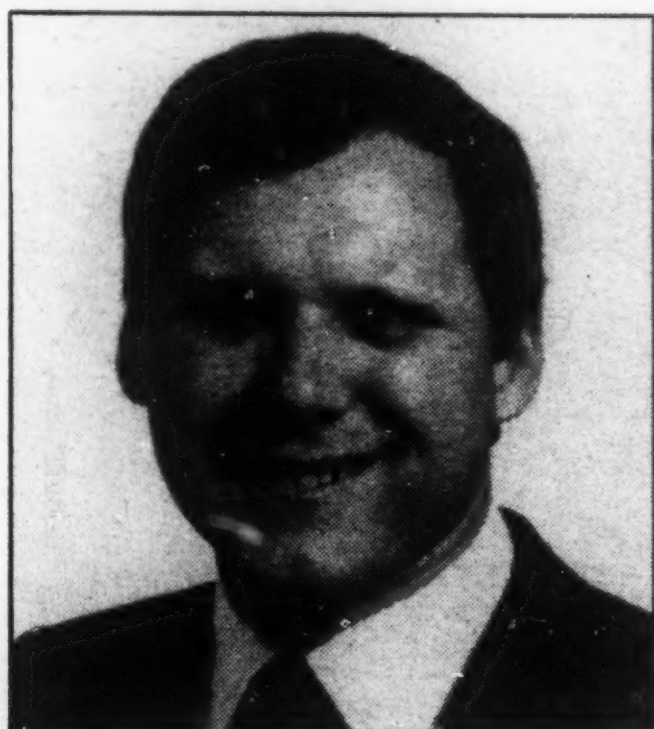
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Seeking to run POS off ATM networks: Allen Sausen, president of Citishare.

Continued from Previous Page

major banks he knows of, he says, are charging for POS or for ATMs.

Robert Heckman, executive vice president of MTech Corp., owners of the Mpack network, calls fees "disincentives."

The answer, says Mr. Heckman, who is also chairman of the card council of the Electronic Funds Transfer Association, is to use methods that have worked. "We're charging for the debit card in direct conflict with what's been done successfully with charge cards." He believes an annual fee or monthly charge will encourage POS use.

"If POS is an alternative to cash, checks, and credit cards," agrees Mr. Paur of Pulse, "then the cost for its use must be comparable to the other available mediums."

But if the industry is to gain a wide debit customer base by offering initial free service, it must find ways to keep its own costs down. Consequently, clearing houses are trying to convince merchants that it is not necessary to stay on-line all the time. The merchant can save some money by taking risks with card approval. POS can also exist in the off-line environment.

At Internet in Reston, Va., which runs the Most ATM network, president David O'Connor takes the position that clearing houses and on-line services are complementary. He has combined the services of two automated clearing houses and several banks in order to offer consumers a variety of options including checks, debit and credit authorizations, data capture on-line, and on-line debit transactions.

All Eyes on Entree

For the immediate future, the eyes of the banking industry will be on the progress of Entree. Members will issue 17 million cards in the next three months. "Entree has given debit cards new life, with the huge support of Visa and MasterCard," says Paul Wittfeld, vice president of marketing for Smart Card producer Micro Card Technologies Inc., based in Dallas.

Entree also has support from many banks, thrifts, regional networks, and merchants. Charter members of the Entree network pay a one-time \$1,000 licensing fee and 5 cents per card per year. Entree was started by a 37-member organizing committee, picked from the industry by Visa and MasterCard, to establish uniform standards and procedures countrywide.

Projections on significant POS implementation varies. Even F. David Brangaccio, MasterCard's head of Entree, says merchant acceptance of Entree is probably two to three years away. But some others are even less optimistic.

"POS, broadly, is still several years from any significant development," contends Floyd Egner, vice president of Payment Systems Inc., a research firm in Tampa, Fla. "Over the next 15 years, it's definitely going to be an expanding part of the marketplace. But in the near term there are major obstacles, a main one being to find a reason for merchants to accept those cards." ■

Midnight Pizza Runs Spur Opening of Student Bank

What started as a simple need to handle growing volume has turned into a full-service branch geared to students.

By Lynn Homa

EACH FALL A MAJOR migration occurs in New York City. Approximately 25,500 students descend upon Manhattan's Upper West Side to attend Columbia University, Teacher's College, and Barnard College.

Lynn Homa is an editorial assistant at American Banker.

Some are veteran graduate students who have established relationships with bank loan departments, others have just turned 18 and never opened checking accounts in their lives. Some are preoccupied with studies; others with parties. But all are in need of a safe place to deposit checks from home, and a quick way to grab cash for books, pizzas, and an occasional movie.

These special needs, plus a general surge in growth of the Upper West Side population, helped turn the Citibank at 111th Street and Broadway

into one of the most highly-transacted branches in that part of the city. By 1985 lines had grown so long that the bank began pondering the idea of an off-site location for more ATMs.

"There was a feeling that a need was there," says Larry Rogers, manager of the new ATM annex. "We surveyed the customers and found they wanted more ATMs and shorter lines." By 1986 the bank was formulating plans to satisfy all of its customers — the general community and the students.

Continued on Next Page

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On June 30, 1987

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	BHC Rank 6/87		Assets (\$ Mil.) 6/30/87	Domestic Banks Controlled	Domestic Branches	Total ATMs	Total ATM Rank	ATMs In Bank Offices	ATMs Outside Offices	Outside ATM Rank
ALABAMA	74	AmSouth Bancorporation, Birmingham	6,463.5	4	178	94	71	66	28	46
	110	Central Bancshares of the South, Inc., Birmingham	3,492.9	5	N.A.	40	137	37	3	125
	84	SouthTrust Corp., Birmingham	5,282.5	29	161	63	105	56	7	97
	101	First Alabama Bancshares, Inc., Montgomery	4,205.3	3	136	75	90	N.A.	N.A.	N.A.
ALASKA	--	National Bancorp of Alaska, Anchorage	1,231.2	1	51	41	135	33	8	88
ARIZONA	46	Valley National Corp., Phoenix	11,030.5	4	296	215	31	187	28	45
ARKANSAS	--	Worthen Banking Corp., Little Rock	1,888.0	10	68	40	136	30	10	82
CALIFORNIA	122	City National Corp., Beverly Hills	3,031.3	1	24	28	155	28	0	169
	9	First Interstate Bancorp., Los Angeles	51,790.6	24	984	1,064	5	764	300	2
	--	Imperial Bancorp., Los Angeles	1,709.2	1	11	0	179	0	0	145
	7	Security Pacific Corp., Los Angeles	64,714.0	4	700	685	6	641	44	28
	42	Union Bancorp., Los Angeles	12,229.3	2	73	4	165	4	0	158
	3	BankAmerica Corp., San Francisco	96,923.0	2	1,053	1,350+	1	N.A.	N.A.	N.A.
	--	Bank of California NA, San Francisco	4,549.2	--	18	18	160	17	1	140
	--	California First Bank, San Francisco	6,000.3	--	135	163	43	163	0	143
	149	Hibernia Bancshares Corp., San Francisco	2,350.4	1	35	0	170	0	0	170
	--	Sumitomo Bank of California, San Francisco	3,413.5	--	46	63	104	62	1	141
	10	Wells Fargo & Co., San Francisco	44,721.3	1	449	1,195	3	1,151	44	27
COLORADO	145	Affiliated Bankshares of Colorado, Inc., Denver	2,476.4	29	0	52	118	N.A.	N.A.	N.A.
	--	Central Bancorporation, Inc., Denver	1,889.3	20	0	28	154	28	0	155
	133	Colorado National Bankshares, Inc., Denver	2,652.4	23	0	38	139	35	3	116
	78	United Banks of Colorado, Inc., Denver	5,764.7	46	0	109	59	71	38	31
CONNECTICUT	140	Citytrust Bancorp, Inc., Bridgeport	2,538.9	1	39	32	148	32	0	149
	39	Hartford National Corp.	14,095.9	8	250	191	37	172	19	61
	129	Northeast Bancorp., Inc., New Haven	2,837.3	3	60	80	82	52	28	47
DELAWARE	--	Wilmington Trust Co.	2,807.7	2	35	90	72	85	5	103
DISTRICT OF COLUMBIA	67	First American Bankshares, Washington	7,267.8	6	223	166	40	159	7	95
	75	Riggs National Corp., Washington	6,150.2	2	35	52	117	48	4	113
FLORIDA	27	Barnett Banks of Florida, Inc., Jacksonville	20,680.8	34	460	413	13	354	59	17
	66	Florida National Banks of Florida, Jacksonville	7,353.0	2	187	234	30	N.A.	N.A.	N.A.
	40	Southeast Banking Corp., Miami	12,648.0	5	185	156	45	142	14	68
	94	First Florida Banks, Inc., Tampa	4,586.6	2	136	175	39	75	100	9
GEORGIA	107	Bank South Corp., Atlanta	3,655.3	9	86	70	96	41	29	41
	30	Citizens & Southern Corp., Atlanta	18,819.3	3	464	350	15	276	74	14
	19	SunTrust Banks, Inc., Atlanta	25,560.6	51	630	571	9	499	72	15
	--	CB & T Bancshares, Inc., Columbus	1,558.7	12	66	35	144	30	5	107
HAWAII	85	Bancorp Hawaii, Inc., Honolulu	5,269.4	1	60	58	112	36	22	53
	106	First Hawaiian, Inc., Honolulu	3,678.5	1	46	47	124	46	1	135
IDAHO	114	Moore Financial Group, Inc., Boise	3,264.7	3	108	43	128	40	3	117
ILLINOIS	13	Continental Illinois Corp., Chicago	33,372.0	6	0	4	166	4	0	160
	--	Exchange International Corp., Chicago	1,856.9	1	1	5	162	5	0	152
	11	First Chicago Corp.	41,664.8	10	0	57	113	52	5	105
	50	Harris Bankcorp, Inc., Chicago	9,979.5	9	0	39	138	30	9	86
	62	Northern Trust Corp., Chicago	8,078.8	13	9	42	131	36	6	101
INDIANA	87	Indiana National Corp., Indianapolis	5,103.5	6	91	71	91	65	6	102
	105	Merchants National Corp., Indianapolis	3,865.6	12	105	70	95	62	8	90
IOWA	--	Banks of Iowa, Inc., Des Moines	2,183.8	14	25	70	97	60	10	80
KANSAS	142	Fourth Financial Corp., Wichita	2,514.0	10	0	34	146	16	18	62
KENTUCKY	92	First Kentucky National Corp., Louisville	4,781.8	8	94	75	87	72	3	120
	135	Liberty National Bancorp, Inc., Louisville	2,578.1	5	62	47	125	37	10	77
LOUISIANA	97	Premier Bancorp., Inc., Baton Rouge	4,503.1	8	100	71	93	43	28	43
	112	First Commerce Corp., New Orleans	3,427.1	5	67	89	74	68	21	57
	96	Hibernia Corp., New Orleans	4,542.5	1	66	48	120	44	4	112
	134	Whitney Holding Corp., New Orleans	2,610.0	1	34	4	167	4	0	162
MARYLAND	138	Baltimore Bancorp	2,543.9	1	30	32	150	31	1	131
	91	Equitable Bancorporation, Baltimore	4,903.4	3	129	166	41	156	10	84
	82	First Maryland Bancorp., Baltimore	5,392.5	2	184	118	58	89	29	40
	36	MNC Financial, Inc., Baltimore	14,966.6	2	196	125	55	125	0	153
	121	Mercantile Bankshares Corp., Baltimore	3,066.0	16	112	48	121	44	4	111
	--	Citizens Bancorp, Riverdale	1,695.7	1	113	49	119	38	11	75
MASSACHUSETTS	15	Bank of Boston Corp.	30,463.6	4	270	146	48	136	10	83
	18	Bank of New England Corp., Boston	27,051.3	14	479	467	12	348	119	8
	63	BayBanks, Inc., Boston	7,876.6	8	240	626	8	376	250*	3
	--	Boston Safe Deposit & Trust Co.	10,298.2	0	0	0	173	0	0	144
	49	Shawmut Corp., Boston	10,417.7	15	213	392	14	312	80	13
	69	State Street Boston Corp.	7,062.1	1	5	10	161	7	3	121
	146	Multibank Financial Corp., Quincy	2,371.7	6	82	42	132	41	1	139
MICHIGAN	52	Comerica, Inc., Detroit	9,701.0	19	184	256	27	228	28	44
	64	Manufacturers National Corp., Detroit	7,678.5	5	132	79	83	66	13	70
	24	NBD Bancorp., Inc., Detroit	22,564.8	33	350	310	20	N.A.	N.A.	N.A.
	61	Michigan National Corp., Farmington Hills	8,098.3	7	227	515	11	314	201	4
	--	Citizens Banking Corp., Flint	2,248.5	6	68	48	122	38	10	78
	79	Old Kent Financial Corp., Grand Rapids	5,674.0	25	188	99	69	98	1	138
	59	First of America Bank Corp., Kalamazoo	8,402.5	50	355	196	36	165	31	38
	148	Security Bancorp, Inc., Southgate	2,365.2	7	78	58	111	58	0	150
MINNESOTA	--	Bank Shares Inc., Minneapolis	1,694.8	6	9	N.A.	N.A.	N.A.	N.A.	N.A.
	16	First Bank System, Inc., Minneapolis	28,406.0	67	139	209	34	114	95	11
	29	Norwest Corp., Minneapolis	20,295.9	70	212	535	10	N.A.	N.A.	N.A.
MISSISSIPPI	117	Deposit Guaranty Bancorp, Jackson	3,225.3	2	120	31	151	28	3	124
	147	First Capital Corp., Jackson	2,365.8	1	64	24	157	20	4	114
MISSOURI	89	Commerce Bancshares, Inc., Kansas City	5,050.9	23	107	77	85	74	3	118
	115	United Missouri Bancshares, Inc., Kansas City	3,246.3	21	69	54	115	52	2	130
	51	Boatmen's Bancshares, Inc., St. Louis	9,742.2	36	151	97	70	90	7	98
	86	Center Bancorp., St. Louis	5,198.5	13	0	56	114	53	3	115
	72	Mercantile Bancorporation, Inc., St. Louis	6,618.0	33	103	62	107	62	0	151
NEBRASKA	--	FirstTier Financial, Inc., Lincoln	2,152.7	2	12	43	130	20	23	51
NEW HAMPSHIRE	--	Amsco Bank Shares, Inc., Manchester	1,669.5	3	19	35	145	18	17	63
	--	First NH Banks, Inc., Manchester	2,125.4	12	66	85	77	44	41	29
NEW JERSEY	33	Midlantic Corp., Edison	16,800.6	9	398	165	42	155	10	76
	--	Constellation Bancorp, Elizabeth	1,937.2	1	40	43	129	40	3	122
	98	First Jersey National Corp, Jersey City	4,415.5	5	114	138	51	113	25	49
	35	First Fidelity Bancorporation, Newark	15,367.7	5	317	130	54	125	5	106
	109	Horizon Bancorp, Morristown	3,562.7	6	125	25	156	24	1	132
	60	United Jersey Banks, Princeton	8,215.4	13	195	0	174	0	0	157
	--	Citizens First Bancorp, Inc., Ridgewood	2,068.2	1	46	20	159	19	1	136
	--	National Community Bank of New Jersey, Rutherford	2,854.6	--	82	41	133	39	2	126
	139	Summit Bancorp., Summit	2,539.7	7	63	N.A.	N.A.	N.A.	N.A.	N.A.
NEW MEXICO	141	Sunwest Financial Services, Inc., Albuquerque	2,528.1	12	85	100	67	48	52	21

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ranking below the top 150 will not have a rank number. (†) Also owns 4 savings and loans. (‡) Also has 248 S&L branch offices. (#) Joint-venture with another banking firm. (*) Excludes 219 ATMs operating in franchisee or other locations.

Automated Teller Machines at Top Banking Firms

On June 30, 1987

Compiled by American Banker Copyright 1987

	BHC Rank 6/87		Assets (\$ Mil.) 6/30/87	Domestic Banks Controlled	Domestic Branches	Total ATMs	Total ATM Rank	ATMs In Bank Offices	ATMs Outside Offices	Outside ATM Rank
NEW YORK										
	55	KeyCorp, Albany	9,280.2	13	423	N.A.	N.A.	N.A.	N.A.	N.A.
	43	Norstar Bancorp, Inc., Albany	12,137.7	7	398	123	57	107	16	65
	123	First Empire State Bank, Buffalo	3,004.5	2	58	59	109	49	10	81
	22	Marine Midland Banks, Inc., Buffalo	24,395.4	2	324	265	26	209	56	20
	8	Bankers Trust New York Corp.	54,700.0	2	6	0	169	0	0	166
	26	Bank of New York Co., Inc.	22,156.6	2	189	67	99	63	4	108
	--	Bank of Tokyo Trust Co., New York	6,026.1	--	5	5	164	4	1	134
	125	Canadian Imperial Holdings, Inc., New York	2,962.7	2	4	0	176	0	0	161
	2	Chase Manhattan Corp., New York	98,860.1	7	400	N.A.	N.A.	N.A.	N.A.	N.A.
	4	Chemical New York Corp.	78,410.0	4	337	247	29	239	8	91
	1	Citicorp, New York	194,400.0	7†	500†	1,200+	2	N.A.	N.A.	N.A.
	73	European American Bancorp, New York	6,582.2	1	86	36	142	36	0	156
	--	Fuji Bank & Trust Co., New York	4,552.2	--	3	2	168	2	0	164
	--	IBJ Schroder Bank & Trust Co., New York	3,146.5	--	0	0	172	0	0	148
	--	Industrial Bank of Japan Trust Co., New York	3,995.7	--	2	0	178	0	0	147
	23	Irving Bank Corp., New York	24,187.4	14	144	37	141	33	4	110
	--	Israel Discount Bank of New York	3,820.7	--	7	0	177	0	0	168
	6	Manufacturers Hanover Corp., New York	73,825.9	2	213	307	21	287	20	58
	5	J.P. Morgan & Co., Inc., New York	74,681.0	2	3	0	171	0	0	165
	--	National Westminster Bank USA, New York	11,263.6	--	135	101	66	82	19	60
	28	Republic New York Corp.	20,413.9	2	42	5	163	5	0	154
	128	U.S. Trust Corp., New York	2,885.9	2	3	0	175	0	0	167
NORTH CAROLINA										
	21	First Union Corp., Charlotte	24,523.9	21	724	N.A.	N.A.	N.A.	N.A.	N.A.
	20	NCNB Corp., Charlotte	24,624.0	6	560	280	25	242	38	32
	--	CCB Financial Corp., Durham	1,433.3	2	80	43	127	36	7	93
	126	First Citizens BancShares, Raleigh	2,962.7	1	317	84	78	81	3	119
	--	United Carolina Bancshares Corp., Whiteville	1,913.1	2	113	45	126	45	0	163
	111	Branch Corp., Wilson	3,435.0	1	166	86	76	79	7	96
	31	First Wachovia Corp., Winston-Salem	18,800.4	5	336	294	23	237	57	18
OHIO										
	143	First Bancorporation of Ohio, Akron	2,511.0	3	94	66	101	64	2	128
	95	Central Bancorporation, Inc., Cincinnati	4,547.5	7	123	100	68	60	40	30
	108	Fifth Third Bancorp., Cincinnati	3,642.5	8	93	105	65	88	17	64
	99	First Nations! Cincinnati Corp.	4,341.9	14	125	131	52	110	21	55
	47	Ameritrust Corp., Cleveland	10,567.5	14	211	151	47	136	15	67
	38	National City Corp., Cleveland	14,367.4	9	335	340	18	294	46	25
	57	Society Corp., Cleveland	8,931.1	4	221	255	28	220	35	35
	32	Banc One Corp., Columbus	17,692.7	37	470	349	17	297	52	22
	65	Huntington Bancshares, Inc., Columbus	7,615.5	8	198	105	64	103	2	127
	93	Trustcorp. Inc., Toledo	4,653.8	11	107	64	102	58	6	99
OKLAHOMA										
	119	Banks of Mid-America, Inc., Oklahoma City	3,155.3	2	4	30	152	9	21	56
	136	BancOklahoma Corp., Tulsa	2,558.6	10	4	213	32	51	162	7
OREGON										
	56	U.S. Bancorp., Portland	9,032.5	5	201	285	24	110	175	5
PENNSYLVANIA										
	150	Merchants Bancorp, Inc., Allentown	2,304.0	2	64	38	140	29	9	85
	132	Dauphin Deposit Corp., Harrisburg	2,680.0	2	75	33	147	30	3	123
	--	Keystone Financial Corp., Harrisburg	2,297.7	4	90	61	108	36	25	50
	118	Union National Corp., Mt. Lebanon	3,179.3	5	99	62	106	54	8	92
	130	Independence Bancorp, Inc., Perkasie	2,791.1	5	48	23	158	23	0	142
	37	CoreStates Financial Corp., Philadelphia	14,714.1	4	214	160	44	140	20	59
	44	Fidelcor, Inc., Philadelphia	11,692.4	3	189	108	61	N.A.	N.A.	N.A.
	81	First Pennsylvania Corp., Philadelphia	5,514.8	2	70	78	84	67	11	73
	144	Equimark Corp., Pittsburgh	2,510.5	1	73	89	73	44	45	26
	14	Mellon Bank Corp., Pittsburgh	33,164.7	7	361	628	7	354	274	2
	17	PNC Financial Corp., Pittsburgh	28,193.0	15	350	300	22	240	60	16
	71	Meridian Bancorp., Inc., Reading	6,999.3	2	156	140	50	93	47	24
	116	Pennbancorp., Titusville	3,232.4	3	132	83	79	69	14	69
PUERTO RICO										
	131	BanPonce Corp., Ponce	2,779.5	1	53	48	123	40	8	89
RHODE ISLAND										
	45	Fleet Financial Group, Inc., Providence	11,333.3	4	155	124	56	113	11	74
SOUTH CAROLINA										
	90	South Carolina National Corp., Columbia	4,922.2	1	161	130	53	117	13	71
TENNESSEE										
	77	First Tennessee National Corp., Memphis	5,938.6	2	151	107	62	85	22	54
	--	National Commerce Bancorp., Memphis	1,300.0	3	35	35	143	28	7	94
	137	Union Planters Corp., Memphis	2,547.0	5	57	67	100	35	32	37
	103	Commerce Union Corp., Nashville	4,160.4	10	103	63	103	33	30	39
	76	First American Corp., Nashville	6,059.7	13	124	87	75	75	12	72
TEXAS										
	12	First RepublicBank Corp., Dallas	34,400.0	105	17	350	16	260	90	12
	25	MCorp Dallas	22,163.7	57	5	1,100	4	N.A.	N.A.	N.A.
	80	Texas American Bankshares, Inc., Fort Worth	5,518.0	31	4	75	88	46	29	42
	58	Allied Bancshares, Inc., Houston	8,863.5	52	0	58	110	53	5	104
	41	First City Bancorporation of Texas, Inc., Houston	12,243.5	62	0	209	33	152	57	19
	120	Cullen Frost Bankers Inc., San Antonio	3,086.1	13	0	29	153	28	1	133
	127	National Bancshares Corp. of Texas, San Antonio	2,961.2	21	5	32	149	31	1	137
UTAH										
	88	First Security Corp., Salt Lake City	5,052.0	3	164	71	92	61	10	79
	--	Zions Bancorp., Salt Lake City	2,995.6	3	78	52	116	44	8	87
VIRGINIA										
	102	First Virginia Banks, Inc., Falls Church	4,197.9	21	270	105	63	105	0	159
	34	Sovran Financial Corp., Norfolk	16,443.1	4	357	313	19	288	25	48
	104	Central Fidelity Banks, Inc., Richmond	3,971.1	2	146	67	98	65	2	129
	54	Crestar Financial Corp., Richmond	9,490.4	3	232	144	49	140	4	109
	48	Signet Banking Corp., Richmond	10,508.4	3	237	188	38	165	23	52
	68	Dominion Bankshares Corp., Roanoke	7,267.4	11	234	109	60	76	33	36
WASHINGTON										
	--	Peoples Bancorporation, Seattle	2,269.2	1	71	196	35	30	166#	6
	53	Rainier Bancorporation, Seattle	9,589.6	4	181	154	46	56	98	10
	--	Old National Bancorporation, Spokane	1,983.1	2	76	76	86	26	50	23
	113	Puget Sound Bancorp, Tacoma	3,388.2	5	92	75	89	69	6	100
WISCONSIN										
	--	Valley Bancorporation, Appleton	2,182.9	34	77	41	134	25	16	66
	70	First Wisconsin Corp., Milwaukee	7,010.8	32	101	70	94	70	0	146
	100	Marine Corp., Milwaukee	4,304.2	22	79	80	81	44	36	33
	83	Marshall & Ilsley Corp., Milwaukee	5,314.5	30	61	82	80	47	35	34

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Vendors Face Harder Sell, Must Offer Snazzier Models

Fierce price-cutting and a sluggish market for new orders has brought down two manufacturers in the last year.

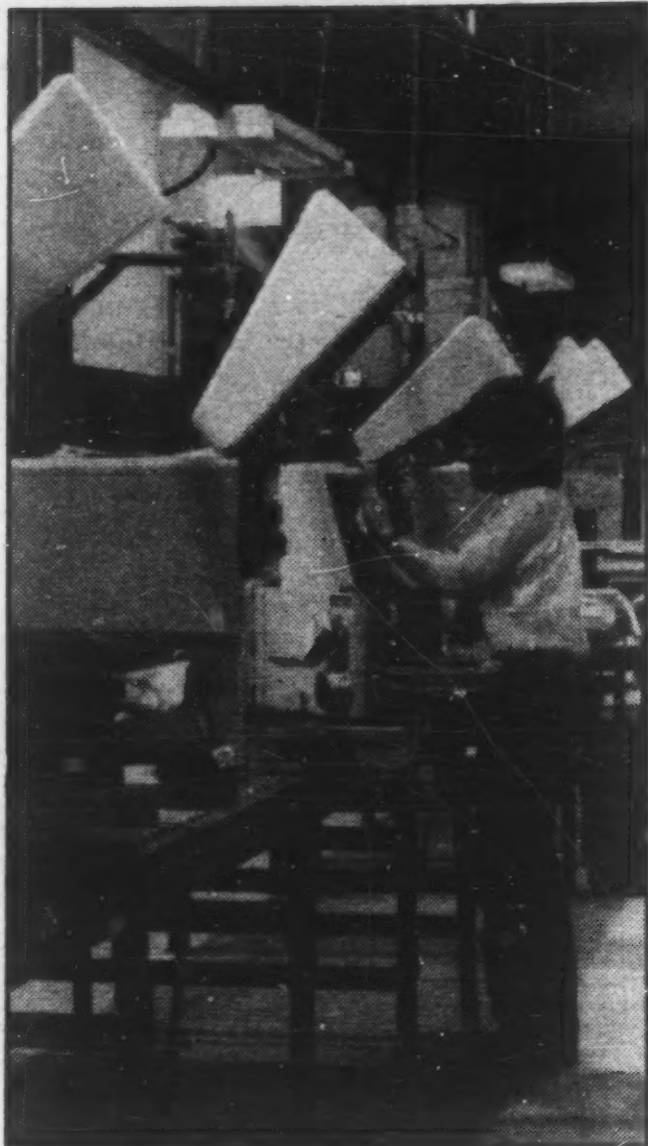
By Thomas P. Fitch

LIKE MANY CONSUMER banking innovations, the automated teller machine has become more sophisticated in the past 10 years. One way of gauging the maturity of the ATM is to look at the hardware available — there has been a veritable

Thomas P. Fitch is a Stratford, Conn.-based reporter.

explosion in its technology over the past decade. Most noticeable are the visual options: ATM screens that flash a bank logo, advertising message, or even a sweepstakes announcement aimed at frequent users. Some ATMs have color or touch-sensitive screens; others print checking account statements at the touch of a button. More significant, though, are the design improvements that the customer does not see, such as a feature on some ATMs that unclogs a jammed paper receipt and keeps the machine function-

ing. The modular design of some newer models makes it a snap to switch parts as they wear out. The ATMs of a decade ago were about as inviting as an armored car door with stainless steel buttons, and not easy to use. The menu of banking services they offered was equally rudimentary: ATMs dispensed cash on demand, took deposits, and occasionally gave balance information. Banks were just beginning to install "on-line" systems allowing customers to interact with a mainframe computer to obtain



Diebold's production plant operates between 70% and 80% capacity, with 425 employees.

account balances or transfer money between accounts. Just as noticeable as the evolution in ATM technology is changes in the manufacturing industry that supplies the hardware. Fierce price-cutting and a sluggish market for new orders — the ATM market in the United States peaked in 1983 at just under 14,000 ATMs delivered — brought down two ATM manufacturers in the past year.

Olivetti USA Inc. withdrew from the U.S. market after acquiring Docutel Corp., the Dallas company that almost single-handedly pioneered the ATM industry in the United States. Earlier this year, Inter Innovation, a Swedish technology firm, acquired Lefebure Inc. In the United States, only Lefebure, a latecomer to the ATM market, and Citicorp are manufacturing touch-screen ATM technology.

Stay in Touch with Your Market

Joining the three leading U.S.-based suppliers of automated tellers — Diebold Inc., NCR Corp., and International Business Machines Corp. — in the battle for market share are two Japanese firms, Omron Financial Systems Inc. and Fujitsu Systems of America Inc. Both are backed by well-capitalized parent firms, Omron Tateisi and Fujitsu Ltd., and are intent on breaking into the U.S. market with technologically sophisticated ATMs.

But the Japanese firms may be hurt by the continuing softness of the dollar, which makes their ATMs more expensive in the United States. Since Omron and Fujitsu machines are assembled in Japan, a declining dollar has forced them to absorb a 45% difference in the dollar-to-yen exchange rates over the past two years to keep from being priced out of the U.S. market.

Omron Financial Systems and its sister company, Omron Business Systems, which manufactures terminals, have already factored the currency fluctuations in their strategic planning. "The most radical changes have already happened to us," says Robert Drennan, president of Omron Financial. In a move prompted by the decline of the dollar, the company's touch-screen video terminals are now manufactured in McKinney, Tex., a Dallas suburb. Eventually, it may build ATMs in the United States as well.

Competition from Abroad

The competition from Japan is understated, says Robert Barone, senior vice president of marketing at Diebold. "We don't see a lot of them," he says. "But I think that's a reflection of the size of their sales organizations." Omron and Fujitsu have been able to

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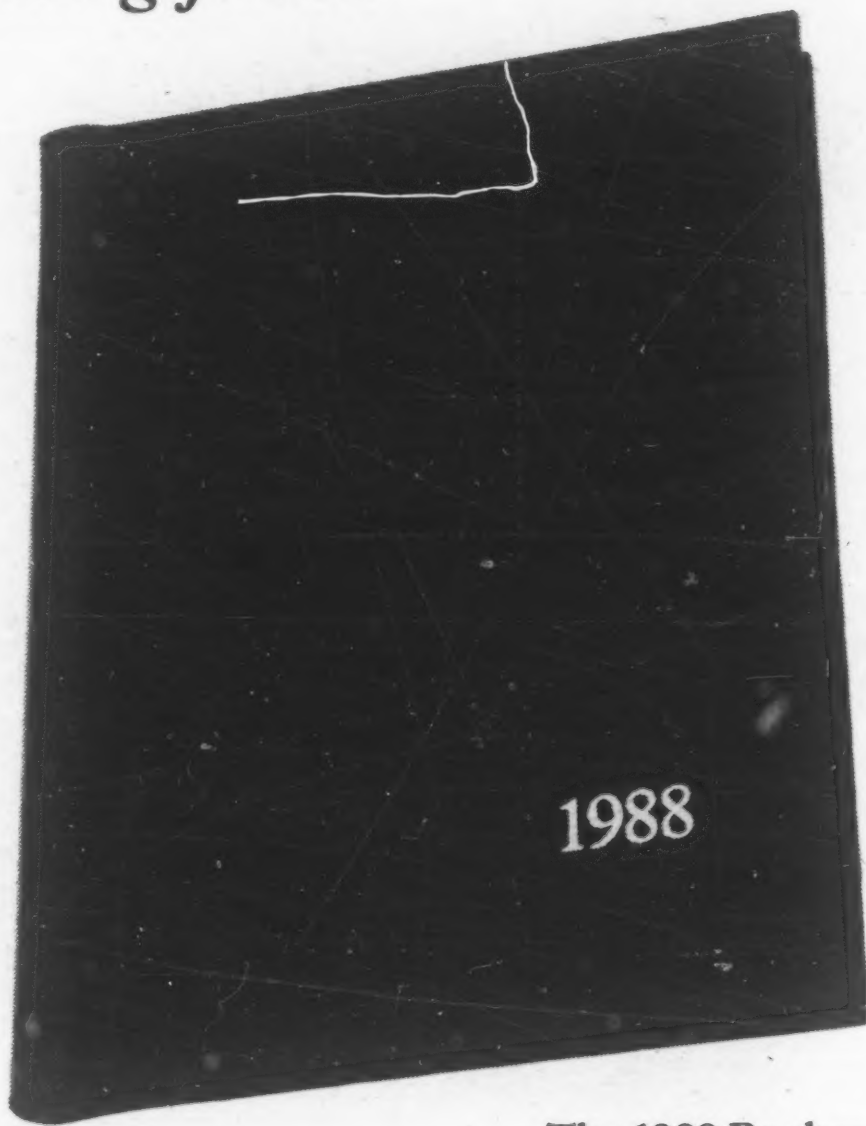
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win some choice contracts in the last two years with major institutions like Chemical Bank, Manufacturers Hanover Trust Co., and Seattle-First National Bank. But Diebold continues to hold the largest share of the U.S. market, followed by NCR and IBM.

Still, the competitive balance can change quickly in the ATM business. Mr. Drennan remembers what it was like on top of the heap when he was a marketing manager at Docutel, the company that once led the industry.

"Some other vendors came out and really didn't do much more, but they did it better," he says. "They did it in a way that was more appealing to the buyer as well as the consumer."

His advice to other vendors? "Stay in touch with your market," he says. "Don't rest on your laurels."

The prevalence of shared networks is also putting pressure on ATM manufacturers to build machines less prone to breakdowns. To meet network reliability standards and the demands of ATM owners for more flexible systems, manufacturers have put more software control, or "intelligence," into the ATM itself.

"We think the customers want a very cost-effective system," says Jeffrey Novotny, manager of financial marketing support for Fujitsu. "They want a machine that can perform traditional ATM services and has the capability to add newer features."

Although the technology is improving, the purchase of ATMs and annual maintenance is steadily declining. Today, the average price per machine is between \$25,000 and \$30,000; it was \$35,000 in 1980. Annual maintenance costs have been pared to \$2,500 per machine, a quarter of what they were seven years ago.

The prospect of further price declines may give a boost to the market for off-premises cash dispensers in high-traffic retail locations. From mid-1986 to mid-1987, Diebold shipped 5,000 ATMs worldwide from its Newark, Ohio, assembly plant — the largest ATM factory in the world.

Some of these units were Diebold's no-frills cash dispenser, the Diebold 1040 terminal. Mr. Barone says financial institutions are just beginning to install these dispensers. He predicts more will be sold when the unit price drops a few thousand dollars to \$9,000 a unit.

Do Enhancements Help?

Even if they are not sure if expensive enhancements like color-screen graphics will attract new users of ATMs overnight — color adds about \$1,000 to the price of an ATM — manufacturers are pressing ahead with them.

Fujitsu claims that institutions that place color units next to monochrome-screen ATMs are getting more use at the color models.

"There's nothing scientific, but there may be some more reliable data coming from some of the larger banks," Mr. Novotny says. Among those who have bought Fujitsu's color units recently are Manufacturers Hanover, Seafirst, and California First Bank, San Francisco.

But Mr. Barone of Diebold sees problems with Fujitsu's color screens. "They haven't solved the glare problem," he says. Diebold would like to add color when that flaw is corrected, but "I would say that they aren't any farther along than we are."

Citibank, steering an independent course, is stepping up installation of its touch-screen ATMs to replace more than 600 of its units in the New York metropolitan area. It is relying on hardware supplied by NCR Corp.

Touch-screen ATMs are probably useful for Citibank, which displays a lot of nontransaction information on its ATM screens, Mr. Drennan says. But he doubts the New York bank will have many imitators in the near future, and says Omron has no immediate plans to add a touch-screen capability.

Meanwhile, IBM has been promoting a new version of its 4730 lobby ATM, a machine capable of cashing checks to the penny. Color graphics and other screen enhancements apparently do not weigh in IBM's plans.

"In my opinion, they influence the banker more than the consumer," says Robert E. Coates, an IBM product manager. "I don't really believe that those things change the consumer acceptance. They may make it more appealing, but I can't imagine anyone saying, 'The reason I'm not depositing in that machine is that it doesn't have color.'"

Instead, IBM is trying to streamline the design of the 4730, a machine that even Mr. Coates admits was too bulky to fit into a branch.

IBM plans to sell a version of a machine already in use in Europe in the United States. The U.S. model will read the MICR line on checks, enabling it to cash encoded checks to the penny or deposit them into customers' accounts.

Forecasts by ATM manufacturers of a surge in replacement orders for ag-

ing, if not obsolete, hardware vary considerably.

The bulk of Fujitsu and Omron orders have been replacement orders, yet Mr. Drennan of Omron says he does not expect the market to pick up fully until 1989. Thousands of ATMs installed from 1978 to 1982, the boom period for networks, are reaching the end of their useful lives. And many of those the banks are discarding are the older IBM and Docutel models.

Diebold forecasts a 10% increase in ATM revenue this year, slower than its

bank security and point-of-sale terminal sales but still respectable.

Mr. Barone says there is "no question" that replacement orders are picking up. ATM replacements currently account for about one-third of Diebold's sales volume, he says, and may some day reach 50% of sales.

But persuading a satisfied customer to turn in an older machine is a daunting task. "Right now our toughest sell is our own customer," Mr. Barone says. "He's very happy with what he's got."

Banks Belonging to Networks

Institutions Broken Down by Asset Size
(Percentage of banks using networks)

	Less Than \$100 MIL.	\$100- \$500 MIL.	\$500- \$1,000 MIL.	\$1,000 MIL.- \$5,000 MIL.	\$5,000 MIL. or More
Local Network	18.1%	35.7%	32.6%	43.3%	31.3%
Regional Network	47.0	57.1	75.9	76.1	96.9
National Network	56.1	57.1	58.6	56.7	81.3

Source: American Bankers Association

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BankAmerica Leads in ATM Ownership

Large Banks Report 21% of Machines Are Off the Premises

➔ Continued from Page 1

major firms. A Chase spokeswoman said in a recent interview, however, that the New York company owns 399 ATMs nationwide.

High on the list is MCorp of Dallas, which reports 1,100 ATMs. Next is First Interstate Bancorp., Los Angeles, with 1,064 machines. After the top five institutions, there is a large gap. The company trailing First Interstate on the list is Security Pacific Corp., of Los Angeles, with 685 ATMs. (The ATM tables appear on pages 32 and 33.)

Off-Site Locations

The survey also breaks out the number of ATMs in banking offices or facilities and the number in supermarkets, convenience stores, gas stations, and other locations.

The large banking companies reported 21.3% of the machines were off premises (of those with specified locations). Bankers and vendors in interviews said this percentage of off-site placement has been relatively stable industrywide in recent years.

Some bankers question whether off-site ATMs are being used enough to be cost effective. But Al Dominick, senior vice president of Shawmut Bank of Boston, said in an interview he expects off-site ATMs to "expand markedly" in the coming years.

"The cost of the technology is coming down, so it's cheaper to put machines in off-site locations," said Mr. Dominick, who is chairman of the retail delivery system conference for the Bank Administration Institute being held this week in New Orleans.

"And I think the evolution of networks will make a difference," he added. "With the networks that are evolving — regional and national — you have access to an entire population, versus a segment of a population, your own customers."

According to the *American Banker* survey, First Interstate Bancorp in Los Angeles reported the most off-site ATMs. It has 300 machines off premises, or 28.2% of its 1,064 total ATMs.

Next in sheer number of off-site ATMs was Mellon Bank Corp., Pittsburgh, which said 274 out of 628 machines, or 43.6%, were outside bank

Top 5: Off-site ATMs

Bank	Off-site ATMs
First Interstate Bancorp	300
Mellon Bank Corp.	274
BayBanks Inc.	250
Michigan National Corp.	201
U.S. Bancorp	175

Does not include shared network ATMs or franchisee ATMs.

locations. BayBanks Inc., Boston, reported 250 off-site, or 39.9% of its total 626 machines.

ATM leader BankAmerica did not specify where its machines were located.

Some institutions reported more off-site than on-site ATMs. U.S. Bancorp, Portland, Ore., reported 175 off-site ATMs, versus 110 on the premises.

Reaching for Cost Effectiveness

Banking industry officials are struggling with the question of how to increase consumer usage of ATMs to make ownership more cost effective. Many banks are hoping that ATM usage will enable them to control increases in the number of tellers and branches, as well as penetrate new markets.

A recent study conducted by Carmony & Co. for Diebold Inc. concluded that an institution with a customer base of 100,000 could save \$2.2 million a year if 66% of its customers used ATMs instead of tellers for routine retail transactions between seven and nine times a month. The New Jersey and Ohio-based consultants concluded that the net value to the bank, primarily cost savings, is \$2.84 per customer using machines the seven to nine times a month.

Mr. Dominick of Shawmut said growth patterns in ATM ownership could depend largely on the economy and demographics.

"If you think about ATMs," he said, "they're really a fixed-cost delivery device versus a variable-cost delivery device like a human being."

"Probably the most significant factor is going to be the population shift, which is occurring as the baby boomers

mature and the number of people entering the work force at the clerical level is declining," he said. "So I think the industry will be faced over the next five years with an acceleration in self-service devices, caused primarily by its inability to hire people to deliver — tellers and even personal bankers or junior level customer service representatives."

B. Lamar Ball Jr., MCorp group chairman for retail and marketing in Dallas, added that the future could bring "a proliferation of ATMs," especially with cash dispensers and other cheaper, more limited-service machines. An example, he said, might be more cash dispensers at firms with which a bank has a commercial relationship.

"We could deliver a perk to the employees and at the same time tie in the employees to the bank through a facility on site," Mr. Ball said.

"I think there are going to be uses and features available five years from now that we can't even imagine today," he said.

Citicorp Additions in New York

Citicorp has begun a dramatic increase in ATMs in the last few months. It now owns about 650 machines in the New York metropolitan area. Spokeswoman Susan Weeks said in an interview that plans are for more than 1,000 units by yearend 1988 in the metropolitan area alone.

She said new technology has resulted in smaller machines, allowing three ATMs to fit in the space formerly occupied by two and thereby reducing customer waiting time.

But a word of caution comes from John MacMillan, an associate with Trans Data Corp., Salisbury, Md. Trans Data is a research affiliate of *American Banker*.

He said preliminary data from a study still in progress shows that 88% of banks and thrifts with more than \$750 million in deposits are issuing ATM cards, and of those, 98% own or lease their machines.

"It is no longer a competitive advantage to own ATMs," Mr. MacMillan said. "It is no longer a situation where you can simply attract market share by plopping ATMs out there. You got to make them different" by more marketing or by adding services.

He said research also shows that customers who use ATMs more than four times a month rank ATM availability as their No. 1 criterion in choosing a bank. "So if you can distinguish your ATM system," he said, "it is likely that, on average, you'll retain customers for a long time."

Mass. Mortgage Firm To Donate to Homeless

NEW YORK — Commonwealth Mortgage Co., Wellesley Hills, Mass., said it will donate \$50 to New England's homeless population for every mortgage application the firm receives in December and January and ultimately approves.

"While most of us anticipate the festivities of the holiday season, our homeless neighbors can only dread the severity of another long New England winter," said chief executive officer John J. Sousa.

A Commonwealth spokesman said the program is expected to raise at least \$50,000. The company will coordinate the donation with advocacy groups for the homeless in each of the six New England states.

Arab Banks Fight to Survive In US Market

➔ Continued from Page 2

large flow of Middle Eastern capital to the United States, investment funds have not been channeled through Arab banks. Instead, Arab investors have preferred using U.S. banks and brokers.

With time, however, some Arab banks may be able to woo a share of this lucrative investment management business. But, the question is, do sophisticated investors really want to make use of Arab banks in the area of investment?

At one point, Middle Eastern banks played an important role in recycling petrodollars through the syndication of loans to less developed countries. But, unlike Japanese banks, most of the Middle Eastern institutions have not hurried to set up investment advisories.

"Arab banks had the money, but they didn't know how to place it," said a New York banker. "They didn't have access to products, and they faced tremendous competition from experienced firms. Moreover, they did not want to pay a premium for expert personnel."

Arab Bank Attracts Arab Investors

National Bank of Kuwait SAK, Kuwait City, believes that it is one Arab bank positioned to attract Arab investors. Kuwait's largest and oldest indigenous bank launched its global operations in the early 1980s with branches in London, New York, and Singapore. With combined assets of \$10 billion, National Bank of Kuwait SAK has \$1 billion of assets in the United States.

"Our primary goal is not to service the *Fortune* 500, but to sell trade and investment products to clients in Kuwait," said George Nasra, deputy general manager of the New York operation of the National Bank of Kuwait SAK.

"Every Kuwaiti institution and individual with substantial wealth is a potential client for the U.S. branch. We are working to manage some of Kuwait's vast wealth. NBK has had a portfolio-management company in place for three years, and we have proven that the bank can compete with Swiss and U.S. players on a performance basis."

Dr. Odeh Aburdene, Arab Bank branch manager for New York, said he believes that Arab banks in the United States must have the ability to make their own decisions without having to take direction from the main office.

"We can commit larger amounts of money to a transaction, within 48 hours, than any other Arab bank," he said. "Because of this, we have developed a solid reputation."

"Other banks take two weeks to make a decision, and they have no power at the bargaining table. As far as presence, our main competition is Citibank."

Strategic Dates

Jan. 31, 1988

NEW IRA FORM: Starting today, the Internal Revenue Service requires credit unions to send out to consumers a new form providing a summary of individual retirement account activity for the year. The new forms, which must be sent along with the old Form 5498, will have to list all IRA contributions during the calendar year, all distributions, and the value of the IRA at the end of the year.

October 27, 1987

First National Bancorp, Inc.

has sold its subsidiary

First National Bank of Arizona

to

Bancorp Hawaii, Inc.

We initiated this transaction and acted as financial advisor to First National Bancorp, Inc.

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